

IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA

Newport News Division

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|--------------------------|---|---------------------------------|
| UNITED STATES OF AMERICA |) | CRIMINAL NO. 4:22-cr- <u>52</u> |
| |) | |
| v. |) | 26 U.S.C. § 7201 |
| |) | Evasion of 2015 Income Tax |
| NOSUK KIM, |) | Assessment |
| |) | (Count 1) |
| Defendant. |) | |
| |) | 26 U.S.C. § 7201 |
| |) | Evasion of 2016 Income Tax |
| |) | Assessment |
| |) | (Count 2) |

CRIMINAL INFORMATION

At all times relevant:

1. The Internal Revenue Service (“IRS”) was an agency within the Department of the Treasury responsible for administering and enforcing the tax laws of the United States and collecting taxes owed to the Treasury of the United States by its citizens and other entities.
2. NOSUK KIM, the defendant herein, was a resident of Newport News, Virginia.
3. The defendant was an attorney licensed to practice law in the Commonwealth of Virginia.
4. In or about 2015 and 2016, the defendant was a partner in the law firm, Cowardin, Kim & Riddle, PLC, in Newport News, Virginia.
5. CC Investments, LLC, was a holding company that was formerly owned and operated by the defendant and INDIVIDUAL 1. In or about December 2015, the defendant purchased INDIVIDUAL 1’s stake in CC Investments, LLC, and became the sole owner and operator of the entity. CC Investments, LLC, was the owner of real property and a commercial building located at *** J Clyde Morris Boulevard in Newport News, Virginia.

6. BBK Enterprises, LLC, was a holding company owned and operated by the defendant and her husband. BBK Enterprises, LLC, had multiple real estate holdings, including the real property and commercial building located at ***** Jefferson Avenue in Newport News, Virginia, and the real property and commercial building located at ***** Executive Drive, Suite **, in Hampton, Virginia.

7. The defendant's husband, Beyung Kim, was the sole owner and controlling manager/principal of Iris Kim, Inc., d/b/a "I-Tek," a privately held corporation based in Hampton, Virginia, the primary business of which consisted of contracting with federal government agencies (including the United States military) as a supplier of various products and merchandise, including clothing, promotional items, equipment, and other materials.

Procurement Fraud by I-Tek and Beyung Kim

8. From in or about 2011 through 2018, I-Tek was awarded millions of dollars of government contracts.

9. Pursuant to these contracts, I-Tek was subject to rules and regulations about where the contracted-for products were manufactured. I-Tek was also subject to other requirements that set aside certain contracts for service-disabled veteran owned small businesses. From in or about 2011 through 2018, I-Tek and its employees repeatedly and fraudulently violated such requirements by falsely portraying I-Tek as a legitimate service-disabled veteran owned small business ("SDVOSB") and importing products and goods that were made in China in violation of the Buy American Act (BAA), the Berry Amendment, and the Trade Agreements Act (TAA).

10. One such contract was with the United States Marine Corps (USMC) for promotional items. It was awarded in or about July 2014 and terminated for cause in or about January 2017. Prior to termination, this contract involved six purchase orders for a total of \$6,726,462.79 paid to I-Tek by the Defense Finance and Accounting Service (DFAS). Beyung

Kim and I-Tek violated the country-of-origin requirements in the USMC contract and concealed the fact that they were supplying cheaper, foreign goods from markets like China.

11. Another smaller contract for \$141,000.00 was with the Indiana National Guard for 30,000 recruiting t-shirts that were “Made in the USA.” Like with the USMC contract, Beyung Kim and I-Tek sourced these products in cheaper, foreign markets like China to inflate their profit margins. They concealed the fraud by, among other things, removing the labels reflecting the true country of origin and importing goods from China through a nominee entity.

2015 Unreported Income and Evasion of Income Tax Assessment

12. Between in or about May 2015 and September 2015, I-Tek received fraud proceeds from the USMC contract of approximately \$2,898,183.00 in its business bank account at BB&T (last four digits 0662).¹

13. Between on or about December 4, 2015, and December 9, 2015, I-Tek wired approximately \$970,000.00 in a series of wire transfers to an entity in China, Goldway International Trading, Ltd.

14. Between on or about December 8, 2015, and December 10, 2015, Goldway International Trading, Ltd., wired \$969,002.00 to the defendant’s attorney trust account at Cowardin & Kim, PLC.

15. Between on or about December 10, 2015, and December 11, 2015, the defendant used the funds wired to her trust account to:

- a. Purchase two cashier’s checks totaling approximately \$621,751.71 to pay down the principal balance on the defendant and her husband’s home equity line of credit (HELOC) on their family home at ** Ferguson Cove in Newport News, Virginia.

¹ The defendant was not charged in the underlying fraud case against her husband and I-Tek.

- b. Buyout the interest of INDIVIDUAL 1 in CC Investments, LLC, with a \$140,000.00 payment.
- c. Purchase a cashier's check totaling approximately \$207,250.29 to pay down the principal balance on a business loan for CC Investments, LLC, which was secured by the deed of trust on a property located at *** J Clyde Morris Boulevard in Newport News, Virginia.

16. The defendant and Beyung Kim filed a 2015 Form 1040 tax return on or about October 10, 2016 and reported \$334,287.00 in taxable income. The defendant did not report the foregoing taxable income in the approximate amount of \$969,002.00.

2016 Unreported Income and Evasion of Income Tax Assessment

17. Between in or about February 2016 and April 2016, I-Tek received fraud proceeds from the USMC contract of \$1,146,855.73 and \$141,000.00 in fraud proceeds from the contract for the Indiana National Guard.

18. Between on or about April 29, 2016, and May 5, 2016, I-Tek wired approximately \$1,250,000.00 to Goldway International Trading, Ltd., in China.

19. Between on or about May 3, 2016, and May 6, 2016, Goldway International Trading, Ltd., wired \$1,249,780.00 to the defendant's attorney trust fund at Cowardin & Kim, PLC.

20. Between on or about May 3, 2016, and May 6, 2016, the defendant used the funds wired to her trust account to:

- a. Purchase four cashier's checks totaling \$1,249,780.00. Approximately \$1,182,780.00 of that amount was used to pay down the principal balance and a prepayment fee on a business loan for BBK Enterprises, LLC, which was secured

by the deed of trust on a property located at ***** Jefferson Avenue in Newport News, Virginia.

- b. Pay approximately \$67,000.00 toward the business loan for CC Investments, LLC, which was secured by the deed of trust on a property located at *** J Clyde Morris Boulevard in Newport News, Virginia.

21. The defendant and Beyung Kim filed a 2016 Form 1040 tax return on or about October 9, 2017 and reported \$472,197.00 in taxable income. Similar to 2015, the defendant did not report the foregoing taxable income in the approximate amount of \$1,249,780.00.

* * *

22. The approximate tax due and owing resulting from the defendant's evasion of income tax assessment for 2015 and 2016 is approximately \$868,924.54.

Affirmative Acts of Evasion

23. In or about 2015, the defendant and her husband transferred proceeds of a specified unlawful activity in the approximate amount of \$969,002.00, all of which was taxable income, through an entity in China and the defendant's attorney trust fund.

24. In or about 2016, the defendant and her husband transferred proceeds of a specified unlawful activity in the approximate amount of \$1,249,780.00, all of which was taxable income, through an entity in China and the defendant's attorney trust fund.

25. In the books and records for Cowardin, Kim & Riddle, PLC, the defendant did not properly account for this \$2,218,782.00 that she transferred through her attorney trust fund.

26. Instead of transferring the above proceeds to her personal accounts or directly paying personal expenses, the defendant purchased a series of cashier's checks to move the proceeds out of her attorney trust fund – that is, financial instruments ostensibly drawn on the bank's assets instead of her attorney trust account.

COUNT ONE

THE UNITED STATES ATTORNEY CHARGES THAT:

1. The factual allegations contained above are incorporated herein as if set out in full.
2. That during the calendar year 2015, NOSUK KIM, the defendant herein, a resident of Newport News, Virginia, had and received unreported taxable income of \$969,002.00; that upon said unreported taxable income there was additional owing to the United States of America an income tax of approximately \$375,475.34; that well-knowing and believing the foregoing facts, the defendant, on or about October 10, 2016, in the Eastern District of Virginia, did willfully attempt to evade and defeat the said income tax due and owing by her to the United States of America for said calendar year 2015 by filing a false income tax return, and by failing to pay the Internal Revenue Service said income tax by committing, among others, the affirmative acts listed in the General Allegations section.

(In violation of Title 26, United States Code, Section 7201.)

COUNT TWO

THE UNITED STATES ATTORNEY CHARGES THAT:

1. The factual allegations contained above are incorporated herein as if set out in full.
2. That during the calendar year 2016, NOSUK KIM, the defendant herein, a resident of Newport News, Virginia, had and received unreported taxable income of \$1,249,780.00; that upon said unreported taxable income there was additional owing to the United States of America an income tax of approximately \$493,449.19; that well-knowing and believing the foregoing facts, the defendant, on or about October 9, 2017, in the Eastern District of Virginia, did willfully attempt to evade and defeat the said income tax due and owing by her to the United States of America for said calendar year 2016 by filing a false income tax return, and by failing to pay the Internal Revenue Service said income tax by committing, among others, the affirmative acts listed in the General Allegations section.

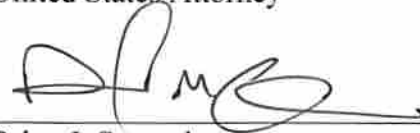
(In violation of Title 26, United States Code, Section 7201.)

UNITED STATES v. NOSUK KIM, 4:22-cr- 52

Respectfully submitted,

Jessica D. Aber
United States Attorney

By:

A handwritten signature in black ink, appearing to read 'B. Samuels', is written over a horizontal line.

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Certificate of Service

I hereby certify that on July 11, 2022, I submitted the foregoing to the Clerk of Court to be filed. I will send a notification of such filing to counsel of record for the defendant.

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